

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date: 20 FEB 1985

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(7) of the Internal Revenue Code.

You submitted information that discloses that you were formed [REDACTED] as a nonprofit organization.

You indicated that the purpose of your organization is to organize periodic reunions of [REDACTED]. Your organization plans to hold class reunions every ten (10) years. The first class reunion was in [REDACTED] and the next class reunion may be in the summer of [REDACTED]. You indicated that members of the planning committee come together several months prior to your class reunion. This is your only activity until you start to plan for the next class reunion.

Per your Constitution and By-Laws, you stated your source of income is the full payment of a predetermined reunion fee from the [REDACTED] graduation class of [REDACTED].

The financial data for the period ending [REDACTED] states that your organization has no continuing support or revenue, but only interest is added to your bank account which "will sit idle until the year [REDACTED]."

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that Section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Although there is no statutory definition of "club" as used in IRC 501(c)(7), it implies the existence of personal contact, comingsling and fellowship among members on a regular basis. It also implies that you must have an organized social and recreational program. Based on the information submitted, your club has neither an organized social program nor regular contact among members; therefore, it fails to meet the requirements of IRC 501(c)(7).

Furthermore, Revenue Ruling 66-149, 1966-1, C.B. 146, states that a social club is not exempt from Federal Income Tax as an organization described in IRC 501(c)(7) where it regularly derives a substantial part of its income from nonmember sources such as interest and dividends.

Based on the information furnished, your organization does not qualify for exemption under IRC 501(c)(7) since you do not have any comingsling of members on a regular basis and your only source of income will be the predetermined reunion fee, and the interest on the money remaining in your bank account after payment of the expenses of the reunion.

Accordingly, we hold that you are not entitled to exemption from Federal Income tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within thirty days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely


District Director

Enclosures:
Publication 992
Form 6018